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SUBJECT: France Energy Policy Maker on energy independence, energy trends, and France's new energy law

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11. (SBU) Summary: Ministry of Economy, Finance, and Industry Energy Director General Dominique Maillard told us that France has diversified its energy sources so that it is not dependent on any one overseas market. A large proportion of its energy comes from nuclear energy, and no more than one-third of its gas needs comes from any single market. The EU has focused on deregulation, rather than diversification of supply. He believed that EU countries needed to invest in more electricity production and cross-border infrastructure to prevent blackouts similar to the November 4 blackout that struck much of South Western Europe. Maillard was confident that France's new energy law, which implements the 2003 European Union (EU) electricity and gas directives, would survive scrutiny from both France's constitutional court and the European Commission. End summary.

What the General Directorate for Energy Does

12. (U) On November 15, econoff met with Ministry of Economy, Finance, and Industry Energy Director General Dominique Maillard (Under Secretary-level) to discuss French and European energy policy and the GOF's newly passed energy law. Maillard explained that the General Directorate for Energy and Raw Materials formulates and implements France's energy policy. It seeks to maintain open markets for energy, track key energy and raw material sectors, and supervise energy-related companies. His division drafts energy-related laws and regulations, and implements EU energy directives. It also participates in EU and International Energy Agency (IEA) discussions on energy.

France Has Diversified its Energy Supplies

13. (SBU) France has taken great care to diversify its energy sources, Maillard noted. Its nuclear program provides 80 percent of its electricity and 40 percent of its overall energy needs. France obtains most of its natural gas from the North Sea, Russia, and Algeria, but no one of these suppliers accounts for more than a third of France's consumption. Germany, he believes, has been unwise to depend on Russia for such a large portion of its gas supplies. He said that the UK, with dwindling energy supplies from the North Sea, was prudent to consider reinvigorating its nuclear energy program. The North Sea provided the largest source of oil to France, with France importing 17 percent of its needs from Norway, followed by 12 percent from Russia. Countries importing more than 50-60 percent of their energy needs from Russia had a "dangerous" dependency.

¶4. (SBU) Maillard continued that his ministry aimed to contribute to France's goal of reducing greenhouse gas emissions by 75 percent by 2050 and will use technical, technological, economic, and social means to accomplish this aim. In working toward this aim, France intends to coordinate within the EU, but realizes that other European countries are not prepared to replace present sources of energy with nuclear power to the extent necessary to reach this goal across the EU.

EU Energy Policy Emphasizes Deregulation over Diversity of Supply

¶5. (SBU) EU policy, Maillard continued, differed from France's in that it emphasized deregulation of energy markets, rather than diversity of supply. Maillard and his staff meet periodically with their EU counterparts to coordinate on energy and energy security issues. Maillard saw a number of trends across the EU. European dependency on fossil fuels will continue to increase at a time when there is little hope of finding new reserves of oil, gas, and coal in the EU. Since Russia is close, new pipelines from Russia will be built. Russia sells 90 percent of its gas to Europe and this dependency on the European market will continue. One important reason is that Russia can obtain better prices for its gas in Europe than it would likely obtain in alternative markets, such as China. However, Russia wants to develop its liquefied natural gas (LNG) production capability so that it can diversify its client base. While Europe obtains 50 to 60 percent of its natural gas from Russia, it should develop new routes to exploit gas reserves in Azerbaijan and elsewhere, Maillard said.

More Interconnection between Energy Grids Needed

¶6. (SBU) According to Maillard, a power outage that affected 10

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percent of France's population and much of Southern Europe on November 4 demonstrated that European power grids needed more interconnection. While Maillard's staff was still investigating all the aspects of the blackout, the apparent reason was German utility E.ON's decision to switch off a high-voltage power line in Lower Saxony, setting off the worst electricity outage in France since ¶1978. With greater interconnectivity switching off one power line would not have caused such a large power outage. Investment in cross-border power lines would help. Additionally, European countries would have to invest in power-generation capacity. France was able to reconnect all clients affected by the power outage within forty minutes because its significant hydropower reserves allowed it to compensate for the loss of the electricity from Germany.

France's New Energy Law

¶7. (SBU) On November 30, the Constitutional Court will rule on whether the newly passed energy law, which allows the GOF to decrease its stake in Gaz de France (GDF) from 70 percent to one-third, is constitutional. (Note: The actual GOF share of GDF is 80.2 percent. End note.) Assuming it is upheld, the law would enter into force two weeks afterwards. Although much attention has been placed on the merger between energy group Suez and GDF, the most important aspect of this law is that it will deregulate France's energy market by July 1, 2007, consistent with the 2003 EU electricity and gas directives. By that date, consumers will be able to switch suppliers, if they so choose.

¶8. (SBU) Maillard said the energy bill contained a clause that would maintain current tariffs for two years after deregulation. He noted this addition to the law was politically necessary since the GOF gained public and legislative support for the law only by arguing that more competition would decrease prices. The legislature added this clause "to ensure this condition is fulfilled." He expects that the European Commission will send France a questionnaire on the continued regulated tariffs, which are contrary to the EU Energy Directive. Maillard said his staff would diligently reply to the EU

questions and he did not anticipate further EU intervention.

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